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## HARRISBURG

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S P E E C H  
OF  
M R . R I V E S ,  
OF  
V I R G I N I A ,  
IN OPPOSITION TO  
THE SUB-TREASURY BILL,  
AND IN SUPPORT OF  
HIS SUBSTITUTE.

DELIVERED IN  
THE SENATE OF THE U. S.

FEBRUARY 6, 7, 1838.

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PRINTED AT THE MADISONIAN OFFICE.

1838.



## SPEECH.

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MR. PRESIDENT.—It would have been very gratifying to me if I had found the measure now under consideration such an one as I could conscientiously support. The question is one which every interest of the nation requires should be settled—promptly, but wisely settled. It is time that the country were relieved from those anxieties and apprehensions in regard to the future, which, added to the embarrassments of the present, weigh like an incubus upon the national enterprise and palsy all its faculties. I should have been most happy, therefore, if I could have seen in the measure recommended by the Committee of Finance, any of those healing and salutary tendencies which the circumstances of the times and the situation of the country so imperiously demand. I had hoped, indeed, at one time, that such a measure would have been presented to us. The President, in his message to Congress at the commencement of the present session, while renewing the expression of his own opinions in favor of the financial project of the late called session, very properly invited the consideration of Congress to the manifestations of public sentiment which had, since then, taken place; and recognizing “the national will as the supreme law of the Republic,” plainly intimated that a measure which had proved unacceptable to the people ought not to be again pressed on their adoption. I had hoped, that the Committee of Finance, concurring in this republican sentiment of the Chief Magistrate, and in the presence of the manifestations which the recent elections in the North and the South, the East and the West, had afforded of the national repugnance to the measure of the late session, would, in the resources of their wisdom and acknowledged abilities, have presented us some other, on which we might have rallied with more harmonious opinions. I am sorry to say that, in the examination of the bill on your table, I have found nothing to justify or sustain this hope. It is, in every essential respect, a reproduction of the condemned measure of the late session, with some superadded features, which only seem to aggravate its deformity and increase its dangers. It commits, as that did, the millions of public treasure to the hazardous and demoralizing possession of executive agents—it levies that treasure from the pockets of the people, after a short period, in gold and silver only—it then disposes these collections in masses at a few important commercial points, to serve as a basis of operations, which must inevitably terminate in a great *Government Bank*—and to take charge of and manage this machinery, it institutes a new corps of executive officers, whose very name, (Receivers-general,) calls up by an indissoluble association, the extravagance, the peculation, the clumsy magnificence of that bloated and unwieldy system of French finance, which is the acknowledged prototype of this new scheme.

I propose, Mr. President, in as brief and rapid a manner as possible, to pass in review the principal points of this new financial project. Its fundamental and vital principle is to collect the public revenue in gold and silver only, out of a circulation consisting exclusively now, and mainly at all times, of bank paper for the common uses of the people. Of this invidious discrimination between the money of the government and the money of the people, and its anti-republican and injurious tendencies, I had an opportunity of stating my views very fully during the late session of Congress. It was the subject of very thorough discussion



on both sides, at that time; and for one I am perfectly content to abide the verdict of public opinion on the arguments, on the one side and the other, then presented. It was shown, in my judgment, most conclusively that the effect of this principle would be permanently to create two currencies in the country—one and that the “*better*” one for the government, another and inferior one for the people—that it would thus separate the interests of the governors from those of the governed, destroying that bond of sympathy and common feeling between them which is the best, if not the only, security for a sound administration of public affairs—that it would indefinitely protract the present derangement of the currency and deliver it over finally to a state of hopeless and irremediable disorder—and that its operation upon the institutions of the States would be of the most hostile and destructive character. I should not now recur to those topics, having heretofore discussed them very fully, but that the Senator from New York, (Mr. Wright,) has thought proper again to argue them, and I must say, with all his ingenuity, has failed, in my estimation, to shake a single position maintained by the opponents of his bill. It has been fashionable to *denounce* these objections as mere *ad captandum* arguments; but, sir, have they been *answered*? Can they be answered, otherwise than by returning epithets for arguments?

That the measure would establish a distinction, an odious distinction, between the currency of the government and the currency of the people, cannot be denied, for such is the positive provision of the bill. It expressly requires that, after a certain time, the government shall receive, in discharge of the public dues, and pay to its officers and other creditors, nothing but gold and silver or its own paper, while the common currency, in which the people transact their dealings, would still remain bank paper. The *fact*, then, is undeniable. But it is intimated there is nothing wrong in this; and we, who oppose it are asked if we would have the government in the present condition of things, for example, to receive its revenue in the various spurious substitutes for money, which now form so large a portion of the actual circulation of the country. The answer, sir, costs me no embarrassment. I say, no; but this is precisely a case in which the *exception proves the rule*. The present is a temporary and accidental state of things; and the refusal of the government, under existing circumstances, to receive the degraded currency of the times in payment of the public revenue, so far from being founded on any permanent distinction between the currency of the government and the currency of the people, is intended to do away that distinction, and to provide a sound convertible currency for the common use of both government and people—for the joint resolution of 1816, which is still the law of the land, expressly declares that when the banks shall resume specie payments and thus provide the people with a sound convertible currency, that currency shall be equally receivable by the government in discharge of its dues. But the bill of the Honorable Senator contemplates no such thing. It rejects the paper of the banks inexorably, under all circumstances whatever—even though convertible instantly into specie. It will have, for the government, nothing but gold and silver, or its own paper. It demands, with Shylock severity, its “*pound of flesh*,” and that, too, without the condition of humanity imposed on the Venitian Jew “not to spill a drop of Christian blood” in the exaction.

The Honorable Senator from New York seems, however, to have persuaded himself that the requisition of gold and silver in payment of the public dues, would improve the general currency by bringing into circulation a larger portion of the precious metals. But, sir, how can this be? It was shown, in the discussions of the late session of Congress, that when there are two currencies in a country, one answering all the purposes of the other, and a valuable purpose besides, that which answers the additional purpose, would be at a premium, and being so, would not enter into general circulation, but be bought and sold as an article of merchandise. According to this law of currency, it would follow, under the operation of



the proposed system, that gold and silver only, being applicable to revenue payments, they would, in general, command a premium, and would consequently be withdrawn from general circulation. They would be sold by the broker to the public debtor, who would pay them to the Government—by the Government, they would be paid out to the public creditor, and the public creditor would go and sell them again to the broker. This would be the narrow and charmed circle of their movement. They could never enter into the general circulation, under such circumstances; nor, indeed, under any circumstances, (as has been amply shown on another occasion,) without a previous suppression of the smaller denominations of bank notes, for which this bill contains no provision.

The Honorable Senator also argues, that this policy would tend to secure soundness in the paper portion of the currency, by checking over-issues of the banks. But, instead of contributing to the soundness of the paper currency, it would necessarily increase its insecurity. The great source of insecurity in the banking system at present, as is well known, is the danger of a suspension of specie payments arising from a foreign drain of the precious metals. But this measure would superadd to the foreign an internal drain of specie, to be locked up in the vaults of the Government; and, from the nature of things, this internal and external drain would occur at the same moment, and exert together their destructive influence upon the banks. It would be in years of heavy importations that, the balance of trade turning against the country, the foreign drain would be most sensibly felt, and it would be precisely, under such circumstances, that the demand for specie to pay the duties, on these importations, being greatly augmented, the internal drain would operate also with most severity. How then can the Honorable Senator imagine that the security of the paper currency, supplied by the banks, is to be increased by exposing them to a double pressure, from within and from without, at so critical a moment.

In regard to the hostile operation of this measure on the State currencies, and the credit institutions of the states, the honorable Senator has taken up the subject in far too narrow a point of view. He spoke as if the whole matter of complaint, in this respect, consisted in withholding the deposits of the public money from the banks. But, sir, the *gist* of the question does not lie here. This is a matter in which the convenience and the safety of the government itself are concerned far more than any interest of the Banks generally, or of the states by which they are created. The real grievance is in the stern exclusion by law of the sound convertible currencies of the states from all transactions of the Federal Government, (transactions in which they have been heretofore invariably admitted, from the origin of the government to the present day.) the official discredit and *protest*, in advance, thus stamped upon those currencies by the unfriendly action of this government, giving the signal for general distrust and want of confidence in regard to them. Sir, it will be no difficult matter to show that, under the blight of this legislative denunciation, and in the progressive working of the system now proposed, the state currencies will be finally broken down, and a national government paper currency, resting on the same principles as our old continental money, be made to take their place. But the Senator from New York tells us that the state currencies will enjoy as much favor under the new policy, as they did under the regime of the U. S. Bank—that that institution very rarely received the notes of the State Banks in collection of the public revenue, and when it did so, it promptly returned them for conversion into specie. I certainly had not expected, Mr. President, that the Bank of the United States would be held up, from that quarter, as a model for imitation, in regard to its policy toward the state institutions. But the Senator is mistaken in what he says of the course of that institution, and it will appear that even its policy was one of far more liberality toward the state institutions than that which the honorable Senator himself now proposes. It is officially stated in the triennial report of the President of that institution to

the stockholders in Sept., 1831, that the Bank of the U. S. was in the practice of "*receiving freely* the notes of the State Banks, within convenient reach of the Bank and its branches;" and this free reception of the notes of the State Banks and periodical "*settlements of accounts*" with them, were the boasted means on which that institution relied to regulate and preserve the soundness of the general currency of the country. It is farther shown by the answer of that officer to certain interrogatories propounded to him by the Committee on Finance, of this body, in March, 1830, that though frequent "*settlements of accounts*" were made by the Bank of the U. S. with the State Banks, they were "rarely forced to pay specie" to any considerable amount for their notes, but payment was taken in their bills of exchange, or balances permitted to lie over, till melted down in the ordinary course of their business and mutual transactions. This statement is sustained, through a series of years, by the annual returns of the Bank to Congress, exhibiting generally large balances due to it from the State Banks. But, sir, even though the course of the U. S. Bank had been as unfriendly toward the state institutions, as the gentleman from New York supposes, the *law of the land*, the legislation of Congress, made no attack on them, as is now proposed. On the contrary, their credit was cherished and sustained by the law: for the joint resolution of 1816 expressly declared that their notes, when convertible on demand into specie, should be receivable, equally with specie, in payment of public dues. This is the important consideration; for in the *law*, in the policy and language of the *government*, abides mainly that principle of *confidence*, on which all paper currency rests, and which is now proposed to be rudely withdrawn from the currencies of the states, however unquestionable their soundness and value.

But, Mr. President, without dwelling farther on these considerations, I beg leave to ask gentlemen who are so zealously patronising the policy of this measure, if they can adduce to us, from ancient or modern times, from civilised or even barbarous communities, a solitary example of a government demanding and collecting its revenue in a currency different from the common, actual currency of the country. If there be any such, it has escaped my researches. In countries where the public revenue may have been, or may now be, collected in gold and silver, it will be found that gold and silver constitute the common, actual currency of the people. Even in England and France, where the circulation consists, in so large a proportion of the precious metals, the revenue payments are, by no means, confined to gold and silver; but bank notes are freely received in both, in discharge of the government dues. It is, indeed, a fundamental maxim of taxation, laid down by all writers on political economy,\* and respected in the practice of all governments, that the mode of payment of the public contributions ought to be that most consistent with the *convenience* of the payers—the great body of the community. Is it reserved for the government of the United States, in its theory the most popular on earth, and claiming the merit of the closest sympathy with the wants and interests of the people, to set the first example of a departure from this just and benignant rule of policy? and for what reason—for what purpose? I think I have shown that none of the great interests of the country are to be promoted by it. It may, it is true, be quite agreeable to the office-holders, and other recipients of the bounty of the government, to obtain their emoluments in a "better" currency, than the common currency of the people; but surely this will be held no legitimate consideration for legislators and statesmen. What end, then, is to be answered? What object to be promoted by the introduction of this anomaly in the history of legislation? Is it to carry out some theoretical dogma—some mere *common place* of party? Is it, in short, to satisfy the notions couched and propagated under the well-sounding phrase *constitutional currency*.

I ask, then, what is meant by this phrase? Is it meant that no other *currency* is *constitutional* but gold and silver? If so, I deny the proposition. Bank notes,

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\*Smith's Wealth of Nations—Book V. chap. II.



as currency, are as constitutional as gold and silver. The constitution, it is true, declares that, "no state shall make any thing but gold and silver coin a *tender* in payment of debts." This was intended to establish an ultimate *standard of value* for the adjustment of contracts, where the parties chose to insist on the strictness of legal rights, but not to prevent the states from authorizing convertible *representatives* of that value to be used as *currency*, or a *common medium of exchange and circulation*, in the ordinary business of life. On the contrary, those representatives in the shape of bank notes, were known and used as *currency*, at the time of the adoption of the constitution, and nothing in that instrument prohibits them—the states have, constantly since, been in the habit of creating corporations, authorized to issue and circulate them—the power, thus exercised by the states, has been invariably acquiesced in and recognised by the General Government—and recently it has been determined by the solemn and unanimous judgment of the highest judicial tribunal of the country, (in the case of *Briscoe vs. the Commonwealth Bank of Kentucky*,) that the states rightfully and constitutionally possess the power. I say it was *unanimously* so decided by the Supreme Court, because, although a *minority* of that court were of opinion that, where the state owned the entire stock of the bank, the exercise of the power would be an infringement of the constitutional prohibition on the states "to emit bills of credit," yet all the Judges concurred, that the authority of the states was unquestionable where the stock of the banks was owned either by individuals entirely, or by them in common with the state as a partial stockholder. State Bank notes, then, being issued in pursuance of an unquestionable *constitutional* authority, are a *constitutional currency*, as well as gold and silver. It is true, a creditor cannot be *compelled* to accept payment of his debt in bank notes, if he object to doing so; but this does not affect their character as *currency*, as a *common medium of exchange and circulation*, or prevent a payment in bank notes from being a final and complete discharge of the debt, if accepted.

But, perhaps, by this oft repeated phrase, it is meant to be implied that there is some special constitutional obligation on the *government* to demand its dues in gold and silver. There is as little foundation, however, for this notion as for that which I have just exposed. The government is like every other creditor. It has the *power*, as every individual creditor has, (if it chooses wantonly to exert it, and to recur to the rigor of strict right,) to insist on the payment of its dues in gold and silver; but, as an individual creditor also, it may waive its strict right, the sternness of the *summum jus*, (which, we are told, is most frequently *summa injuria*,) and receive its dues in the same medium which individuals and the people, by common consent, use for the adjustment of their transactions. This it has done, from the adoption of the constitution to the present day, and never, heretofore, with any question of the constitutionality of the procedure. It not only has the constitutional power which every other creditor has, to waive the strictness of its right, in this respect, but it is especially incumbent on it, as the common agent of the people, guided by that fundamental and benignant maxim of taxation, to which I have already adverted, to waive an extreme right, which, in its exercise, would so seriously affect the *convenience* of its constituents—the great body of the people.

We must not, then, be led away, under the dominion of well-sounding phrases, of plausible or pompous common places, to disregard the real interests of the country. As legislators and statesmen, we must emancipate our minds from the delusive authority of mere dogmas, and look to the consequences of our actions, the practical effects of our measures. If we trace this requisition of specie for the public dues in its effects on the actual business of society, we shall find that it is calculated to convulse the whole monetary system of the country, and to keep it in a state of ceaseless and distressing commotion. Under the operation of the Banking system as it exists in this country, specie is to be regarded not so much a part of the currency, as the basis or source of a far larger portion. For every

dollar of hard money that is taken from the banks, four or five times its amount is withdrawn in another form from the actual circulation of the country. Bearing this in mind, let us see how the proposed system would work. In years of abundant importation, the circulation of the seaports being insufficient to furnish the requisite sums of specie to pay the duties, large amounts would be drawn from the South and West to meet the demands of the custom house in the North and the East. The sections, thus stript of their specie, would be, all at once, subjected to the greatest of all calamities in a pecuniary point of view—that of a deficient circulation, suddenly contracted, not in the ratio, merely, of the specie removed, but of four or five times its amount; for to that extent would the banks be compelled to call in their circulation, in order to meet the drafts upon them for the precious metals. Under this desolating process, the prices of property would be struck down, the relation of debtor and creditor violently disturbed, and every branch of industry paralysed and withered. On the other hand, when the land sales became active, the current would be reversed, large masses of specie would be drawn from the North and the East to the South and the West, attended with the same distressing effects on the trade and industry of the country, and only shifting the theatre of their disastrous operation. What could result from this perpetual dragging, to and fro, of the specie of the country, contrary to the natural laws of trade, and in obedience only to arbitrary governmental regulations, but incessant throes and convulsions in the whole system of its business and currency?

It would be some compensation, in a national point of view, if the specie, of which different portions of the country would, in their turn, be stript, under the operation of this new system, were restored to active and beneficial use in those sections to which it would be transferred. But would this be the case? No, sir. The whole surplus, beyond the current disbursement of the Government, would rest in barren and unproductive idleness, in the “vaults and iron safes” of your Sub-treasuries. It would be an *annihilation* of so much of the national capital, susceptible of multiplication, through conventional substitutes, to four times its nominal amount, and capable of fructifying and sustaining the national industry to a corresponding extent. I must confess, Mr. President, that this monopoly and *hoarding* of the precious metals by the Government, does seem to me unworthy of the age in which we live. We may find examples of it among the nations of antiquity. But their circumstances were very different from ours. They were engaged in frequent wars, and they accumulated their treasure, in advance, as a provision for those national emergencies, always with them, more or less near at hand. It may also deserve consideration whether the practice which prevailed among them of hoarding the public treasure was not the cause, fully as much as the effect, of the frequency of their wars; for the relief to industry from unlocking those vast hoards in time of war, may well be conceived to have rendered the occurrence of war no unwelcome event to their crowded populations. If we descend to modern times, we find no instance of this national hoarding, but among rude and uncivilised communities—the Barbary powers or the Tartar tribes, for example. The Dey of Algiers is said to have been the master of a large hoard of accumulated treasure, when he was expelled from his dominions by the French. So, also, was Mazeppa, the celebrated Cossack Chieftain, the untutored ally of Charles the XII. But surely, we are not going to the banks of the Dnieper, or the shores of Africa, for lessons in policy and legislation. We shall not thus, I humbly trust, dishonor the spirit of the age, belie the genius of our free institutions, and mar the destinies of our great and glorious country.

But there are other aspects of this measure even more dangerous and alarming. In the remarks I had the honor to submit to the Senate, at the late session, I said that this scheme had a squinting, “an awful squinting” towards a Treasury Bank. It now has that character boldly planted on its front. It is, to all



intents and purposes, a *great Government Bank*; and of this I persuade myself I shall be able to satisfy every gentleman who will do me the honor to accompany me in the analysis I propose to make of its composition. In the first place, the national revenue, collected in gold and silver, is to be disposed in masses at certain leading points, designated by their importance in a commercial, financial, or political view. The bill directs that there shall be a great central depot of it in the new treasury building here—another depot in the mint at Philadelphia—a third in the branch mint at New Orleans, and four other similar depots of the national treasure in gold and silver, at New York, Boston, Charleston, and St. Louis. Buildings are to be erected (where they do not already exist,) for the reception and security of these funds, fitted up with vaults, safes, and all the usual appendages of a banking establishment. The Treasurer and the Secretary of the Treasury are to preside, particularly, over the central establishment here—the Treasurer of the mint and the branch mint over the establishments in Philadelphia and New Orleans, and four Receivers General, with their clerks and assistants, over those at New York, Boston, Charleston, and St. Louis. Thus you have the funds or *capital* to operate on, placed in position at suitable points, and a complete organization of officers to manage and administer those funds. Nothing but the plastic hand of the Secretary of the Treasury will be wanting to mould these materials into a bank, and to give motion and direction to the machine. How will it be done? The *modus operandi* will be perfectly natural and simple.

The Government funds, compared with the disbursements to be made, will be in excess in some places, while they will be deficient in others. They must then be transferred from one place of deposit to another. This will hardly ever, it is to be presumed, be done by an actual transportation of specie. It will, doubtless, be generally effected by the ordinary commercial means of drafts and bills of exchange. The bill most sedulously gives to the Secretary of the Treasury an unlimited discretionary authority to make and order these transfers from one place of deposit to another, and from one individual depository to another. At a place, therefore, where the government funds are in excess, and he wishes to transfer a portion of them to some other place where they are deficient, he will naturally direct a draft, or bill of exchange on the latter place to be bought, paying for it out of the specie accumulated in excess at the place of the negotiation. On the other hand, when he wishes to draw funds from a distant place, where they are in excess, to a place where they are deficient, a bill on the former place will be sold, and the money received for it, added to the deficient funds at the place of the negotiation. The officers of the Government, thus operating on the public funds under this system, would become habitual dealers in exchange—a regular and acknowledged branch of the business of banking. In the exercise of these functions, the accommodation of individuals would come to be fully as much consulted as the wants of the Government. The Receiver General at St. Louis, for example, having an excess of the public moneys in his hands, and instructed to transfer that excess to the Sub-treasury at New York, would naturally do so by *buying* drafts of merchants or other individuals on the latter place. But in this application of the public money to the purchase of drafts, what an endless field would there be for undue favors to individuals, as well in discriminating among those who might have drafts to sell, as in adjusting the price and other terms of the purchase. So, likewise, if we suppose the Receiver General at New York authorized to draw a surplus of public moneys from St. Louis, he would do so by *selling* drafts on the Receiver General at St. Louis; and in this operation of selling, there would be precisely the same danger of abuse, and of the influence of personal considerations, as I have just shown to exist in that of buying exchange.

It is also very easy to perceive that, under the forms of buying and selling

bills of exchange by Government officers, real loans to individuals may be couched. If I buy, for example, a bill of exchange which has sixty or ninety days to run, and pay for it in *cash*, as I suppose to be done in the case, put above, of a Receiver General purchasing bills to transfer an excess of public moneys in his hands, what is this in fact but a *loan* of money to be returned, at the end of sixty or ninety days, at some other place where the Government wants it. It is, indeed, except as to *place*, the ordinary form of discounting mercantile paper. In like manner, the sale of a bill of exchange, to be paid for at a future day, is a very convenient medium of a real loan. The purchaser immediately sells the bill he has bought, realizes it in money, the use of which he enjoys for the stipulated period, and then returns it with the rate of profit agreed upon in the nominal purchase. The transaction is, to every practical intent, a loan; and professional gentlemen, conversant with the devices practised to evade the statutes against usury, will tell you that nothing is more common than to make a real loan under this very form of selling a bill of exchange. We see, then, that the officers of the Treasury, under the organization provided by this bill, would not only be engaged in buying and selling bills of exchange, but they would have the power of *discounting* mercantile paper and making *real* loans. Thus the bill creates, in effect, a *bank of discount*.

It would, moreover, be a bank of *deposit*, for the 27th section of the bill expressly authorises individuals to *deposit* money in the "Treasury, or at such other points as the Treasurer may designate," the receipts for which, it is declared, shall be current in the several land offices as cash. This, I am aware, is but a special and limited provision, confined at present to payments in advance for public lands. But the principle being once introduced, will, from time to time, be extended to other cases. I shall hereafter have occasion to show that president Jackson, when he suggested the idea of a Government Bank, of which this bill seems to be the development, expressly recommended that it should be based upon *individual*, as well as the public deposits.

The organization instituted by this bill would also be a bank of *circulation*, for the drafts, receipts, and other paper authorized to be issued by the officers of the treasury, under the provisions of the bill, would form a part of the actual currency and circulation of the country. That it is designed, through the medium of this machinery, to issue permanently a government paper currency, under some form or other, is sufficiently evinced by the alternative clause of the bill relating to receipts and payments by the government, which requires that all such receipts and payments, after a certain period, shall be in gold or silver, "or in notes, bills, or paper issued under the authority of the United States." The senator from South Carolina, (Mr. Calhoun,) the patron and champion of this bill, and the author of the provision just referred to, is known to advocate a paper currency of that description, issued and resting exclusively on the credit of the Government. The Secretary of the Treasury too, in his report on the finances, at the commencement of the present Session, does not hesitate to ask Congress for the permanent grant of an authority to *issue Treasury Notes*, (at his discretion, within a certain limit,) according to the varying wants of the Treasury. But the design of supplying a *paper medium*, for general circulation, through the fiscal action of the Government, is more fully developed in the report of that officer at the last Session, and from that document, I beg leave to read to the Senate a few significant extracts.

"Should Congress," says the Secretary, "determine that it is proper to furnish by its own authority, and for the purposes before mentioned, some *paper medium of higher character*, and other than what now exists in private bills of exchange, or *notes of State Banks*, no doubt exists, that any benefits which may occasionally be derived from its employment can be readily secured, without treading on the debateable ground of either the power or the policy of chartering a National Bank. Certificates, not on interest, but payable in specie to bearer or



order, as well as being receivable for all public dues, could be authorized to be given in payment to the public creditor, whenever preferred by him, and sufficient specie existed in the Treasury. This *kind of paper* would be very convenient in form, and would differ little from the drafts now in use on banks, except being drawn on a known specie fund, and expressing on its face not only this, but its being receivable, in the first instance, for all public dues. It would possess the highest credit attainable in society." "The common drafts of this Department, in the present convenient form, possess one advantage, which could be imparted to the certificates. When used at places against which the balance of trade exists, but drawn on places in whose favor it is, the former do now, and may hereafter, not only *facilitate essentially the domestic exchanges*, but at the same time, *supersede numerous bank transfers*, and the more expensive transportation of specie itself."

"The Mint certificates, heretofore given on the deposit of bullion and specie for coinage, *might be easily made running to bearer or order*, and receivable for all public dues; and, in that way, would contribute to the same desirable ends."

"It must be obvious that the paper of any bank would be less safe and useful in being received for public dues, in proportion as it may want such solid securities and foundations as the certificates before described."

My purpose is not now to discuss the supposed advantages of this Government paper currency, so much lauded by the Secretary. The great recommendation of it, in his eyes, is that it would rest upon a specie basis co-extensive with the issues. But as the certificates would be rarely returned for redemption, nothing would be more likely to happen than what occurred in the case of the bank of Amsterdam—that, in the mean time, large portions of the specie would be withdrawn and diverted to other purposes. But my intention was simply to show that an issue of a government paper currency, in some form or other, is one of the main objects of this new financial scheme. In looking at the passages above quoted, and others of similar import in the Report of the Secretary of the Treasury, it is impossible to wink so hard as not to see that the design is to supply a *paper medium*, through the fiscal operations of this government, which, it is hoped, would ultimately supersede the *state currencies*; and the organization proposed, in this bill, is the instrument by which that design is to be accomplished. That it would be a bank of *circulation* is unquestionable; and I have already shown that it would be a bank both of *discount and deposit*.

The Secretary of the Treasury, however, seems to think there would be no *Bank* in all this, because there would be no *incorporation*. But incorporation is not necessary to constitute a bank, which derives its character wholly from the nature of its business and functions. The Government Bank of Russia is not incorporated.—Neither is the Government Bank of Austria. They are both constituted of, and managed by, officers of the Government, precisely as the machinery created by this bill is proposed to be managed and directed. So in regard to the private and joint stock banks of England. They are not incorporated; but no body ever supposed them to be the less banks on that account. Some thirteen or fourteen years ago, the celebrated Mr. Ricardo proposed the plan of "*a National Bank*" in England, which, among other things, was to have the exclusive privilege of issuing the whole paper currency of the kingdom. It was to be a Government institution, consisting of five commissioners, residing in London, to be appointed by the crown and removable by Parliament, and to be assisted by agents and officers established in the leading country towns. The plan of this bill bears, in some respects, so close a resemblance to that of Mr. Ricardo, that it is difficult to resist the impression that the one must have suggested the other. The organization proposed by Mr. Ricardo, consisted, like that of this bill, of public officers, having certain duties and functions assigned to them, connected with the collection and management of the public revenue, as well as with the issue of a paper currency. No act of incorporation was proposed or deemed necessary; but he did not, on that account, the less consider his scheme a "*National Bank*," under which name it was expressly presented to his countrymen.

But there is another authority on this head still more in point. It remounts to

the first suggestion ever made in this country of a Government or Treasury Bank. I allude, of course, to President Jackson, who in his first annual message to Congress, (1829,) threw out the idea of a bank, founded on the "credit and resources of the United States." This suggestion became the subject of very able and elaborate examination by the Committees on Finance, in this and the other House, by both of which, though consisting of warm friends of the President, the suggestion was repudiated and exploded. The President, in his message at the commencement of the following Session of Congress, (December, 1830,) thought proper to recur to the subject, and to define more precisely what he meant by a bank founded on "the credit and resources of the United States." The scheme he then brought forward was identical, in every respect, with that contained in the present bill; and yet, with the soldierly frankness which characterised him, he did not hesitate to call it by its proper name—"a Bank of the United States." Let us see what he said on that occasion.

"In the spirit of compromise and improvement which distinguishes our country and its institutions, it becomes us to enquire whether it be not possible to secure the advantages afforded by the present Bank, through the agency of a *Bank of the United States*, so modified in its principles and structure, as to obviate constitutional and other objections. It is thought practicable to organize *such a Bank*, with the necessary officers, as a branch of the Treasury Department, based on the public and *individual* deposits, (without power to make loans or purchase property,) which *shall remit the funds of the Government*, and the expenses of which may be paid, if thought advisable, by allowing its officers to *sell bills of exchange* to private individuals, at a moderate premium, &c., &c., &c. In times of public emergency, *the capacities of such an institution might be enlarged by Legislative provisions.*"

The *Bank* which Gen. Jackson proposed, was to be organized, with the necessary officers, as a *branch of the Treasury Department*, to be *based on the public and individual deposits*, to *remit the funds of the Government*, and to *deal in bills of exchange*. The organization, provided by the bill under consideration, is to possess every one of these attributes, and to perform other banking functions in addition, such as the issue of paper, which was not then contemplated. Yet, while the former plan was boldly *avowed* to be a *Bank*, this is *denied* to be one. Gen. Jackson, with all his popularity and energy of purpose, was not able to commend his plan to the favor of the country, and even his *volonte de fer*, (iron will,) as it was called by a foreign representative, on a memorable occasion, obeying the great law of Republicanism, bent beneath the force of public opinion, and abandoned the scheme. Yet the same scheme is now reproduced, amid the confusion of the times, in an aggravated form, but without the *name*.

It is a remarkable circumstance, Mr. President, that the most ancient and celebrated Banking Institutions of Europe have grown up from precisely such beginnings as are contained in this bill. The Bank of Venice, for example, the oldest and most celebrated bank in Europe, commenced as a fiscal institution. The Republic, pressed by its foreign wars, was compelled to resort to a forced loan. In order to secure the payment of the interest on this loan, it set apart certain branches of the public revenue, and instituted a board of commissioners, called the Chamber of Loans, who were charged with the collection and management of those branches of the revenue, and the application of their proceeds to the punctual payment of the interest on the loan. In the transaction of the business confided to them, they had occasion sometimes, to *buy and sell Bills of Exchange*, as I have shown the officers of the Treasury, under the organization of this bill, would do. Having frequently surplus funds on hand, they began at length to employ them more extensively in the operation of *buying and selling exchange*, and under this power, actually advanced money on mercantile paper, or in other words, became a *Bank of discount*. The credit and responsibility of the institution being established, the merchants of Venice began to make use of it for the safe-keeping of their funds, and so it became a bank of *deposits*.



also. Finally, a credit on the books of the institution for money deposited, being equivalent to *cash*, payments in the course of trade, came to be made by transfers of these credits from one to another, or by what are now called *checks*, which performed the office, and preceded the introduction of *notes*, and so the chamber of loans became also a bank of *circulation*. We see, in this example, by what natural and easy gradations the most celebrated banking institution in Europe, that which has been the model of all the rest, grew out of the simple function of collecting and applying the public revenue, associating to itself a collateral and incidental action on the commerce and currency of the country, all of which functions, I have shown, are to be vested by the new financial scheme in the officers of the Treasury Department.

The same in every material respect, were the origin and progress of the Bank of Genoa; which, next to that of Venice, was the oldest, and in its day, the most accredited banking institution in Europe. In England, too, the mint, at one time, in being made the depository of the funds of individuals, as the Secretary of the Treasury proposes that our mint and its branches should be, became virtually a *bank*—"the great centre of money transactions and remittances for England and foreign nations"—till Charles the 1st, in 1640, impelled by his necessities, violated the private funds deposited there, and "happily," as Burke says, put an end to both its credit and use as a banking establishment.

The testimony of history then, as well as the nature of things, proves that the organization instituted by this bill, would work as a great government bank—*buying and selling exchange*—under that form, at least, *discounting* mercantile paper,—receiving *deposits*, public and private,—and *circulating* a paper money of its own. Now, I would appeal to every friend of the liberties of his country, and ask him if he would willingly see so formidable an union of the moneyed and political power consummated in the hands of the government. Will he put so potent an engine, an instrument so efficacious of operating on the hopes and fears of men, of enlisting their interests, of controlling their fortunes, into the hands of a Department of the government, already armed with a patronage and power of fearful extent?

The honorable Senator from New York, (Mr. Wright) in a portion of his remarks which seemed to be intended specially for the benefit of those of us who are still for employing the State Banks as depositories, and whom he described as a very small fraction, said that the real and only alternative before the country is the Sub-treasury scheme or a National Bank. Now, sir, unless the observations I have made on the practical operation of the Sub-treasury scheme are founded in the grossest delusion, that scheme, instead of being antagonistical to a National Bank, is, in every respect, identical with it. It would be a National Bank under the worst possible form. A National Bank in the hands of the Executive, controlled and managed exclusively by Executive agents. If, then, the honorable Senator will insist upon making up an issue, to which the ghost of that thrice-slain monster, the Bank of the United States must be a party, he must amend his pleadings according to the real state of the case, and submit to the country this question—Will you have a great government bank in the hands and under the control of Executive officers, or will you have an incorporated National Bank, designed to be a business concern and not a political engine? When this issue shall be presented, if indeed, it ever shall be, let me tell the honorable Senator that there are those whose opposition to a National Bank is as true as his or that of any other man, who would pause long, before they would permit the terror of any alternative to drive them into the support of a scheme, like that of the honorable Senator, which they believe to be fraught with the most serious danger to the liberties, and certain destruction to the best interests of their country. I shall hereafter endeavor to show that the true and only means of averting either an incorporated National Bank or a great government Bank is to sustain the stato

institutions, and to employ their agency, with such modifications and securities as experience may have shown to be either necessary or desirable.

I wish, however, for the present to pursue the remarks which the honorable Senator, with "so much charity," to use his own expression, addressed to that small fraction of erring and obstinate brethren, sometimes 'cycloped *conservatives*. The name, I believe, sir, has not been of their own choosing; but gentlemen who are well read in the history of parties will not fail to remember that the most odious and reproachful designations applied to them by their adversaries have become endeared by the persecutions of political intolerance, and those who at first felt injured and insulted by the application of a political nick-name, have at last proudly appropriated it, and come to glory in it as a memorial of their struggles and a symbol of their principles. Now, sir, I do not know that there is any thing in this name of *conservative*, as applied to American Institutions, which an American patriot ought to wish to disown. It implies devotion to the *existing* institutions of his country—a desire to *preserve* and *defend* them—a willingness, and even zeal to *reform*, as the only effectual means of *preserving*—but an unconquerable resistance to schemes of wild *innovation* and *destruction*.—If this is what is meant by a *conservative*, (and such is the true and proper import of the term,) then, sir, I proudly avow myself a *conservative*—a *conservative* of Republican institutions, of Republican principles, of Republican practices, as illustrated and interpreted by the great champions of the Republican faith.

But, sir, to pursue the remarks of the honorable Senator, addressed to this small fraction of his political brethren.—He tells them that their plan has very few supporters in either House of Congress—that there are two great parties in *Congress*, one for the Sub-treasury scheme, and the other for a National Bank—and he sees, therefore, no prospect of success for any middle ground. He then assumes that the state of public sentiment among the people corresponds to this division of opinion in Congress. I must say, with all my respect for the gentleman's knowledge and skill in the statistics of party, that this assumption is not warranted under the circumstances of the case, nor does it seem to me sound in principle. It implies that the organization and array of parties here is to give law to public opinion, and that public opinion is not to shape and control the action of parties here. Sir, I go for the voice of the people; and the people have spoken for themselves. They have not left us to infer their sentiments from any accidental or temporary relation of parties here. They have pronounced judgment on the gentleman's scheme; and I should like to know where the honorable gentleman finds, in these expressions of public opinion, any evidence that there is a *great party* in this country in favor of the Sub-treasury project. Never before has any proposition been so signally rebuked and condemned by the voice of the people. I refer to these things, Mr. President, with no pleasure. I contributed my best exertions to the election of the present Chief Magistrate, honestly anticipating from his prudence, his abilities, and his patriotism, a wise and successful administration of the public affairs. No one has felt a more sincere desire for his success than I have done. The unfavorable manifestations of public sentiment, therefore, upon the first leading measure of his administration, (though I foresaw and foretold them, from the first moment that that measure was suggested,) have been to me the source of any thing rather than pleasure. They have now, however, become matters of public history; and as the Senator from New York seems disposed to confine our view here for *second-hand* proofs of public opinion on the merits of the different financial measures which have been proposed, I must beg leave to invite his attention to those more majestic displays of public sentiment which have been presented on the great theatre of the nation. Let him look at the elections which have taken place in the several States, since this fatal measure was first broached in the official journal, and say how many of them have eventuated in favor of the administration. With one or two excep-



tions, they have all terminated against it; and mainly, there is reason to believe, on account of this very measure.

Where, then, does the Honorable Senator find the evidence that there is any great body of popular sentiment in this country in favor of his scheme? The evidence is all the other way, and of the most overwhelming force. So, as to the other great alternative of which the Honorable Senator speaks, (a National Bank,) a large majority of the people have repeatedly declared against it, and without imputing to them a degree of fickleness, of which I, at least, do not suspect them, they must still be opposed to it. What plan, then, will they rally to, as a safe and practical substitute for the Sub-treasury on the one hand, or a National Bank on the other? It is the employment of the State Banks, institutions intimately connected with their domestic interests, responsible to, and supervised by, their domestic authorities, and exempt from all danger of political combination—the employment of these institutions under regulations which shall, at the same time, secure their efficiency and guard against abuse. Such, I am firmly persuaded, would be, at this moment, the unbiassed decision of a large majority of the American people. And even if we appeal to the criterion set up by the honorable Senator from New York—the state of parties in Congress—I think we may deduce from that, conclusions far more favorable to the State Bank deposit system than he has drawn. If there be but a small party in Congress, with whom the State Bank deposit system is a first choice, he must admit that it is the second choice of a large majority. The Sub-treasury party would, I presume, prefer it to a National Bank, and the National Bank party would prefer it to the Sub-treasury. Now, sir, the honorable gentleman will permit me to refresh his early reading, by reminding him of an incident related by Plutarch. After the battle of Salamis, in which the power of the Persian monarch was crushed by the combined Grecian fleet, the different commanders of the squadron repaired to the altar of Neptune, and according to a custom of the country and the times, each one put on a ticket the names of those who had rendered the most important service in the action. Every officer put upon his ticket his own name first, but all put the name of Themistocles next. This has been held, in all future times, as conclusive proof of the superiority of Themistocles above all his competitors; and the State Bank deposit system may adduce the same evidence of its merit in being the second choice of both of the parties which respectively advocate the Sub-treasury and a National Bank. The *fraction*, therefore, in Congress, who still adhere to that system, however small they may appear in the eyes of the honorable Senator, can see nothing in this state of things, which calls upon either their patriotism or their prudence to abandon a policy which they believe to be sanctioned by the sentiments, and demanded by the interests, of the great body of the people.

But, sir, to return from this digression, let us see what additions are made to the official as well as pecuniary patronage of the Executive, by the provisions of this bill. When I had the honor of addressing the Senate at the last session, I spoke of the bill then under consideration, as the “grain of mustard seed,” which would grow up into a large tree and cover the land with its branches. But I was told by the honorable Senator from New York and others, that the bill did not create a *single new officer*, and my friend from Connecticut, (Mr. Niles) complimented me, as well as I remember, for my vivid imagination, to the account of which alone he set down the apprehensions I had expressed. But what do we now see? In three short months, the tree, which has already grown up from this grain of mustard seed, has thrown out four large branches in the form of Receivers General, each of which will have its dependent ramifications in the form of cashiers, tellers, clerks, &c. The Treasurer also is to have his “assistants;” and an indefinite brood of clerks is provided for all the officers made depositaries of the public moneys under the bill, to assist in the discharge of the new

duties devolved on them. Finally, a number of missionaries are to be appointed from time to time, at the discretion of the Secretary of the Treasury, to visit and inspect the various fiscal agencies created by the bill. Now, here is a *cloud* of new executive officers, at once, which bids defiance to calculation. But if their *present* number could be estimated, (as the Senator from New York has attempted to do,) it would be altogether useless, for they must, from the nature of things, be constantly and rapidly multiplying. Would the honorable Senator attempt to measure the rising cloud, which threatens to overspread and blacken the whole face of the heavens, by the speck, "no bigger than a man's hand," which has just appeared on the edge of the horizon? This is but the *beginning*; and we all know with what vigor and fruitfulness every thing grows on American soil. Receivers General are allowed by the bill, at present, only to Massachusetts, New York, South Carolina, and Missouri. But will not Maine, New Hampshire, Connecticut, demand their Receivers General as well as Massachusetts,—Virginia, North Carolina, and Georgia, as well as South Carolina,—Kentucky, Ohio, and Tennessee, as well as Missouri; and so in regard to all the other States that are now pretermitted in the bill. If we have Receivers General, we must finally have Payers General; for this is an integral part of the system in France, from which we borrow the scheme proposed by the bill. In adopting a system, it is fair to presume we mean to adopt its usual and ordinary concomitants. Indeed, an honorable member of the other House, who is well skilled in questions of finance, expressed the opinion to me, only the other day, that the functions of paying and receiving ought to be separated, so as to form checks on each other; and thus we shall have the French system, in both its branches, at once. On the question of introducing a new system of policy, we ought never to forget the old adage, which we derive from France also—*c'est le premier pas' qui coûte*—*It is the first step which is decisive*, and that taken, all the rest follow.

The Senator from New York (Mr. Wright) has likewise attempted an estimate of the *expense* of this new system. But this, also, in my opinion, is a vain thing. The first modest beginnings of a system furnish no standard by which its ultimate expense can be measured. The Senator's estimate makes the annual expense, (exclusive of what may be called the *outfit*, in the cost of buildings, &c.) somewhere about \$20,000, (twenty thousand dollars.) But this is greatly below the estimate of the Secretary of the Treasury, in his report at the last session; and in recommending a favorite scheme, the author of it is rarely found to over-estimate its expense. That officer set down the annual expense at \$60,000 (sixty thousand dollars.) This, in my opinion, is very far below the ultimate permanent expense. An able and experienced gentleman in my own State, practically versed in these questions, and a zealous and decided advocate withal of the new system, in setting forth its advantages, and defending it from the objections which had been urged against it, met this very one of *expense* by giving it as his opinion, formed upon deliberate and careful reflection, that the *annual* expense would not exceed \$600,000, (six hundred thousand dollars.) Now, sir, when I arrived here, at the extra session of Congress, and read the estimate of the Secretary of the Treasury, I could not but suppose, at first, that there was an accidental mistake in his figures, by the omission of a cypher, and that he intended to have put down the expense at \$600,000, (at six hundred thousand dollars,) instead of \$60,000, (sixty thousand dollars.)

But, however, this may be, nothing can be more certain than that the expense of this system, when fully developed, must, from its complexity, and the number of officers it will call for, be very great. We have a standard to appeal to, on this question, which is worth far more than any *a priori* reasonings. The system has been long established and fully tried in France, and we know its actual results there. On the other hand, in England the agency of banks has been extensively used in the collection and disbursement of the public revenue, instead of the indi-



vidual agencies which are employed in France, and are contemplated by this bill. It will be a good test therefore, of this question, to look at the relative expenses of the revenue systems of France and England. I will read to the Senate a comparative statement on the subject, which I have taken from the work of a highly respectable American traveller, vouched by original authorities, to which he refers. From this statement it appears that the cost of collecting the revenue in England is, under the respective heads of taxation, as follows: Customs, 7 per cent.—excise,  $\frac{1}{2}$  per cent.—recording and stamps, 7 per cent.—Post Office 11 per cent.—and direct taxes, 2 per cent.—averaging, upon the whole, 6 1-5 per cent. In France, under the same heads, the cost of collecting the revenue is as follows: Customs, 33 per cent.—excise, 20 per cent.—recording and stamps, 9 per cent.—Post-office, 45 per cent.—direct taxes, 15 per cent.—averaging, upon the whole, 24 2-5 per cent! I am well aware that divers circumstances are to be taken into consideration, in explaining this enormous difference of expense between the French and English fiscal systems; but one of the principal causes of that difference, (and it is so considered by the writer, to whom I have referred,) will, at last, be found in the fact of the extensive use of banking agency in the collection of the revenue in England, and the exclusive employment of individual agency, for that purpose, in France.

But it is not merely by the multiplication of officers and the increase of expenditure, that the influence of the Executive branch of the Government is fearfully extended by this bill. That influence is greatly augmented by certain new regulations it introduces in regard to the tenure of office—the compensation of officers, and the forms and usages of fiscal administration. In the first place, the Treasurer, the Receivers-General, and all the other officers, from the highest to the lowest, employed in the fiscal service, may be required at any time, at the discretion of the Secretary of the Treasury, to give *new* official bonds, in *increased* sums, to be fixed by the Secretary of the Treasury, “any law in reference to any of the official bonds of any of the said officers to the contrary notwithstanding;” and in default of giving such new bond, the officer would, of course, be deprived of his office. Now, it is evident, that under such a power possessed by the Secretary of the Treasury, all the officers connected with the operations of the Treasury, would be converted into the trembling vassals of the Executive. A direct removal from office is a measure of more than ordinary energy, and involves responsibility. Cases might exist in which the Secretary of the Treasury would be unwilling to take the responsibility of a direct removal from office, and yet would accomplish the same object by a vexatious requisition of a new bond in so large a sum, that the officer could not, or would not find sureties to the increased amount. Who does not see that, under such a regulation, the officers of the Treasury would lose all sense of independence; and that those who could consent to hold office on such terms, must be prepared to become the passive and unresisting tools of power. Heretofore it has been the wise policy of our legislation to fix by law the sum in which official bonds are to be given, and to leave nothing in that respect, or as little as possible, to Executive discretion. Again, it will be seen from an examination of the bill, that the compensation of several of the officers to be appointed under it, such as visiting agents, clerks, &c. is to be fixed by the Secretary, at his discretion, and not by law. Here is another source of servile dependence on the one hand, and of increased Executive influence on the other, which is not in harmony with the general spirit and maxims of our legislation.

My attention has also been attracted by a provision of the bill which seems to me to introduce a most dangerous innovation in the established forms and usages of the Treasury. It has heretofore been a fixed principle of fiscal responsibility, that no money should be drawn from the Treasury, but upon a warrant of the Secretary drawn on the Treasurer, countersigned by the Comptroller, and re-

corded by the Register, and upon that warrant, when it reaches the hands of the Treasurer thus authenticated, the Treasurer draws his draft on the depository of the public money for payment. These forms have always been held to be very important checks, and indispensable preliminaries to any money being drawn out of the Treasury, or in other words, paid by the depository of the public moneys. The Secretary draws his warrant upon the Treasurer, subject to the checks before mentioned, and then the Treasurer draws upon the depository who is to make the payment. But, in no instance, does the Secretary draw directly upon the depository, because that would be to lose the security of the intermediate checks of the Comptroller and the Register. By the 10th section of this bill, however, in contravention of these established principles and checks, it is expressly provided, that "for the purpose of *payments* on the public account, it shall be lawful for the said Secretary to *draw upon any of the said depositaries*, as he may think most conducive to the public interest, or to the convenience of the public creditors or both." Under this provision the Secretary of the Treasury could draw out all the money in the Treasury, or, which is the same thing, in the hands of the depositaries, without any check whatsoever. The effect of it, whether so intended or not, is to place the whole public treasure at his unchecked and absolute disposal.

Now, sir, is not the effect of these various provisions, and of the whole scope and tenor of this bill, to concentrate, at last, the entire control of the public moneys, in the hands of the President; for the Secretary of the Treasury, and all the other fiscal officers are but his agents, appointed by him, and removable at his pleasure? But the Senator from New York. (Mr. Wright.) contends that the President would have no more control over the public moneys under the proposed system, than if they were deposited in banks—that the same legal formalities must be gone through to touch the public moneys, in the one case, as in the other. It may be true, that the President has no more *legal* control over the public money in the one case than in the other; but has he not a greater *practical* control. In the one case, the depositaries of the public money would, be his agents, subject to his authority, the creatures of his will, dependent upon his pleasure for their continuance in office, and made by the peculiar provisions of this bill, as I have already shown, especially and habitually sensible of that dependence. In possessing so complete a control over the keepers of the public money, he would possess virtually a control over the public money itself. But, in the case of the employment of banks, the depositories of the public money are institutions not created by the President—not dependent on him for their continued existence:—on the contrary, they hold their charters, and the advantages they confer, from a distinct authority, to which they are at all times responsible and are thus guarded against any undue influences from other quarters, which might warp them from their integrity and their duties.

In making these remarks, Sir, I speak in no spirit of capitious jealousy, as to the highest Executive trust of the Government, or of its actual incumbent: but I speak in the spirit of the constitution, which anticipates the danger, and supposes the possibility of the abuse of power, and inculcates the necessity of guarding against it. The system organized by this bill is one of the most thorough *centralization*. It rides over the institutions of the States, prostrates their credit and usefulness, brings patronage and power to the General Government, concentrates them in the hands of the Executive, to whom it gives an unlimited control over the public moneys, and through the banking operations to be founded on them, an extensive and paramount influence upon the moneyed concerns of the whole country. It is fitting that such a system should be borrowed from France, the country whose institutions exhibit the most unqualified example extant of *centralization*—under which the capital has swallowed up the provinces, and Paris has become synonymous with France. But it is equally fitting that such a



system should be resisted, to the last extremity, in this land of Republican freedom, by all who are attached to the rights of the States—by all who are opposed to the enlargement of Federal and Executive power—and, by all who watch with jealousy, and view with alarm, every tendency to *consolidation*.

I will now, Mr. President, follow the Senator from New York, (Mr. Wright,) in the remarks he made on the comparative *safety* of the two systems proposed, for keeping and disbursing the public moneys. Although experience, the only safe arbiter, has long since settled this question, the honorable Senator argued it as if it were still open to doubt, and made, I am free to admit, an exceedingly ingenious and plausible argument. He instituted a parallel between the two systems, in regard to the great leading points on which their safety is supposed to depend, and in each instance brought out a substantial equality. First, as to *officers*, he said it would be fair to presume that the officers of the government and the officers of the Banks would be equally trust-worthy—Then, as to *sureties*, he said both the banks and the government officers are equally required to give sureties, if deemed necessary. So, likewise, as to *vaults*, the government officers, he said, are to be provided with *vaults*, as well as the banks. The only particular, then, in which the banks, as he alledged, could be supposed to present a better guarantee for the safety of the public funds, is that their capital stock is pledged for the reimbursement of the public moneys committed to them; but this advantage in favor of the banks, he very adroitly balanced by what he represented to be the *risk* of mingling the Government funds with those of trading corporations. Now all this is very fair and plausible on the surface. But what is the *fact*—what is the testimony of *experience*?

While the honorable gentleman was running this parallel *in theory* between the two systems, there was a document lying on the table of the other House, which had run the same parallel on the surer foundations of *practice*. I allude to a recent report of the Secretary of the Treasury, in answer to a call of that House, at the Extra Session, made on the motion of an honorable friend of mine, (Mr. Garland, of Virginia,) containing a list of all “the receivers, collectors, or depositories of the public money, who are in default to the Government, with the amount of their respective defaults, &c.” What, Sir, does this document, which I now have before me, show? That the whole amount of balances due from banks, which are deemed unavailable, is a little more than one million of dollars, (1,046,649); and these balances go back to a period long past, when the extraordinary embarrassments consequent on the war involved banks and individuals in difficulties, beyond any former or subsequent example. In relation to the banks, which have been recently employed as depositories, it appears that they have either paid up all they owed the Government, or are in the course of paying it up as called for by the wants of the public service, without any apprehension of default on their part, or availing themselves of the indulgence of the act passed at the late Session of Congress, have either secured, or are expected to secure, satisfactorily, the payment of the whole balances due from them, according to the terms of that act. Only eleven of them, it appears, out of near ninety employed as depositories, have even asked indulgence, under the act here referred to, and but a single one of them has been ordered to be sold. Now, Sir, when we look to the list of individual collectors and receivers—what do we see? An aggregate default of about three millions! and though some of the more recent balances appearing on that list, may be reduced by future collections, yet from the long standing of most of them, there is no reason to believe that the aggregate amount of the entire list will be affected, in any sensible degree, by these partial recoveries. It is to be remarked too, that this list does not include *disbursing officers*, “whose indebtedness” is stated by the Secretary “to be very great,” and the actual losses by whom, I showed, during the late Session of Congress, from a report of Mr. Crawford, to have “greatly exceeded” a

million and a half of dollars, from 1789 to 1819, and by this time, have grown up, in all probability, to another aggregate sum of three millions! Neither does this list include officers of the Post Office department, among whom it was shown by official documents, at the last annual Session of Congress that there were as many as eighteen hundred and thirty-two defaulters! It is to be observed also, that this list is confined to public agents, "who were *out of office* on the 12th day of October, 1837."

Now, sir, if the Honorable Senator from New York had taken the trouble to look at this document, before he made his speech, he might have saved himself the labor of a great deal of superfluous ingenuity. In contrasting the ingenuity of his argument with the blunt contradiction of facts which this document presents, I was strongly reminded of an anecdote I have often heard of the late venerable Bishop Madison, of Virginia. That excellent prelate was also a profound philosopher, and much addicted to philosophizing. On one occasion, he undertook to explain why the shade of a lamp, almost in contact with the flame of the candle beneath, was not, in any degree, heated by it. This he did by a learned dissertation on the laws of caloric, and all the other scientific data which could be brought to bear on the subject. Having completely satisfied himself, and the admiring audience which surrounded him, of the truth of his theory, he could not avoid, in the consciousness of his triumph, putting his hand on the lamp shade, which had been the subject of his disquisition, when an exclamation of acute pain disclosed the fact that his hand had been severely burnt in the application. Nature, thus, contradicted the philosopher, and so, stubborn facts will sometimes confute the most astute logician. I cannot but think that if the Honorable Senator from New York at the close of his very ingenious argument, had laid his hand upon this document, he must have felt his fingers, at least, a little scorched.

Has the Honorable Senator forgotten the emphatic testimony, deduced from a careful collation of facts, borne by the present Secretary of the Treasury, only three years ago, to the superior safety of *banks* as depositories of the public money? Let me then, refresh his recollection by reading to him and the Senate, an extract from the able report of that officer, made to Congress, in December 1834, on the system of keeping and disbursing the public money. "It is a singular fact," says the Secretary, "in praise of this description of public debtors, the *selected banks*, that there is not now due on deposits, from the whole of them which have now stopped payment, from the establishment of the Constitution to the present moment, *a sum much beyond what is now due to the United States from one mercantile firm that stopped payment in 1825 or 1826*, and of whom ample security was required and supposed to be taken under the responsibility of an oath." If we include the whole present dues to the government from discredited banks, at all times and of all kinds, whether as *depositories* or not and embrace even counterfeit bills and every other species of unavailable funds in the Treasury, *they will not exceed what is due from two such firms.*" He then continues, "If our former *small losses* by them, (the banks.) in keeping and paying over the public revenue, *under circumstances so very adverse*, are compared with our *large losses* either in collecting or disbursing that revenue, their present safety seems to be as great as is consistent with the usual operations of the paper system, or with the credit which must always be entrusted by government, in some way or other, to agents, of some kind in keeping the public money. In considering their safety, it should be constantly recollected that the owners and managers of banks, when properly regulated by legislative provisions in their charters, are, like other individuals, interested to transact business securely; are desirous of making and not losing money; and that these circumstances, with the preference, in case of failure, belonging to depositors and holders of their bills over the stockholders, united with the security, if not priority, given to the government, render them, in *point of safety*, generally, *much superior to individual agents of the United States.*"



If there be any *fact*, incontestibly established in our history, and by the experience of all other governments, it is the superior safety of banks as depositories over any individual custody. The reason of it is obvious. The more complex organization of banks, the number of their officers acting as *mutual* checks on each other, the daily supervision to which they are subjected, their forms of doing business, all, furnish securities, which can never be had in case of the isolated possession of money by an individual, whatever responsibilities he may be bound by. And if a loss of the moneys committed to them should occur either by accident, fraud, or violence, the capital of the bank stands pledged for the security of the depositor. This is, after all, the only kind of security that can be relied on with confidence. If any gentleman will take the trouble to read the notes and remarks annexed to the various cases of default, presented in the document from the House of Representatives to which I have referred, he will see how utterly worthless and illusory is the personal security on which we have heretofore relied. The instances in which any thing has been obtained from sureties, to make good the default of their principal, are like angel's visits—"few and far between." The general return is, "the securities insolvent," "conveyed away their property," "not found," "residences not known," or some other equally *unavailable* return.

In England and France, as well as here, this species of security has been found either nominal or mischievous; and in France it has for many years, been wholly given up. The only kind of security, that is recognized there, is like that which the banks give in the responsibility of their stock. Every person who receives an appointment, connected with the collection or disbursement of the revenue, is required, before he enters on the duties of his office, to deposite with the government, as security, an amount of money, proportioned to the probable amount of the public treasure that will pass through his hands. This money is held by the government as a guarantee for the faithful administration of the trust conferred, and forms, at the same time, a part of its financial resources on which it pays an interest of 4 per cent. till restored to the officer on his satisfactorily acquitting himself of his responsibilities, or till it be otherwise forfeited by his default. The moneys thus deposited with the government, by public officers, as guaranties for the faithful performance of their duties, are denominated *Cautionnements*, and amount to a very large sum. I happen to have in my possession, the report made by the French Minister of Finance, Count Chabrol, to the king in March 1830, from which it appears that the *Cautionnements* on the 1st day of January of that year amounted to the enormous sum of frs.226,483,973 (two hundred and twenty-six millions, four hundred and eighty-three thousand, nine hundred and seventy-three francs,) at a time when the whole revenue of the kingdom did not exceed frs.900,000,000, (nine hundred millions of francs.) Now, sir, if gentlemen mean to introduce here the system of individual depositories of the public moneys, let them be warned by the experience of the country from which they borrow that system that it can be made *safe* only by the precautionary device of *Cautionnements*, the effect of which would be to give to the *millionaires* of our cities the monopoly of all fiscal employments.

But, sir, great as is the danger of heavy pecuniary losses to the government under this system, I regard even that as a trifle compared with the extensive *demoralization* it would produce in the country—by the temptation held out to speculation, to private cupidity, to political corruption, in the large sums of public money lying idle in the hands of the public officers.

I have now, Mr. President, gone through my objections to this Bill on account of what it contains. I object to it also, and not less earnestly, on account of what it does not contain. It contains no provision for the relief of the country. It "takes no thought" for the public. It looks only to the ease and comfort of the government. The most urgent want of the country, the highest interest of all,

is a speedy restoration of specie payments by the banks. Now, too, is the critical and decisive moment. The banks have been, hitherto, diligently and steadily curtailng their discounts and circulation, with a view to that resumption, till they have brought their business within such safe limits, that they might now easily resume with a little encouragement. But if they are once again let loose from these salutary bounds,—if, despairing of a general resumption, and yielding to the strong temptations of irredeemable issues, they should again expand, all hope will be lost of recalling them to a specie standard, and the disastrous reign of an inconvertible paper currency will be indefinitely prolonged. Now, then, is the moment to join in this great work of effecting a restoration of specie payments. But does this Bill do any thing toward its accomplishment? On the contrary, it does every thing it can to retard and obstruct it. In the *run* it would create on the banks for specie, both by the demand it makes of it for the uses of the government, and by the general discredit which the high example of the government would stamp on bank paper, it throws new and insurmountable obstacles in the way of resumption.

But the Honorable Senator from New York says that the resumption of specie payments by the banks is no concern of this government—that it is exclusively an affair of the states and of the banks themselves—and we, who urge the necessity of promoting by every proper and practicable means, the accomplishment of this great object, are reproached with using an argument, which, he tells us, belongs to the friends of a National Bank. Now, sir, I beg leave to say to the honorable Senator that both reason and experience prove that the only effectual means of preventing a National Bank is to bring about a resumption of specie payments by the State Banks, and that nothing is more directly calculated to lead to the re-establishment of a Bank of the U. S., than the course of those who would do nothing toward effecting that resumption. Let the honorable Senator look back to that most instructive period, rich in lessons for the present times—the former suspension of specie payments by the banks from 1814 to 1817—and he will see that it was the unwillingness or the inability of the State Banks then to resume specie payments, which alone led to the establishment of a National Bank. Let him read the official correspondence of Mr. Dallas—the numerous reports and communications of that able and patriotic man, worthy of him and of the country—and he will find through out, an explicit recognition of, and unvarying testimony to this great truth—that if the State Banks could have been induced more promptly to resume specie payments at that time, there would have been no occasion for a National Bank, and that that institution would not have existed. The true means of preventing its re-establishment now is by the instrumentality of the State Banks, under the lead and encouragement of the government, to restore to the country a sound, convertible currency.

This government can and ought to aid in this great work. Its vast *revenue* power, and its pervading action, coextensive with the whole Union, give it means and influences which the states do not possess. It holds, indeed, through that power, a lever of the greatest efficacy, for controlling the entire currency of the country. Through its collections and disbursements, it can hold out inducements of the most influential character to sway the course of the banks. In the mode of conducting its receipts and payments, it has it in its power to set an *example* of the most persuasive influence toward the restoration of *general confidence*.—In a disturbed state of the currency like the present, these are powers to be exercised in a spirit of liberality and benignity—not of menace, denunciation or vengeance. The occasion demands the language of encouragement and support—not of severity and sternness. Look at the communications of Mr. Dallas and Mr. Crawford with the banks during the former suspension of specie payments, and it will be seen in what spirit the influence of the government was then exerted, and effectually exerted, in the end, to accomplish a return to specie pay-



ments. The banks were not then *outlawed* by the official press—they were not then put under the *ban* of the government—they were not then pursued as *conspirators*, but were treated as institutions having themselves a stake in the common weal, and with which the common interests of the whole country were identified. It will be edifying, for a moment, to look back to the manner in which the government then conducted its relations with the banks; and I must say that if the exertions of the banks, generally, since the recent suspension of specie payments, to prepare themselves for a resumption by a steady and persevering curtailment of their business and profits, be compared with the course of the banks, on the former occasion, in taking advantage of the suspension to enlarge their issues to a most extravagant extent, and in obstinately refusing to apply the valuable public stocks held by them to acquiring the ability to resume, the banks now are entitled, at least, to as much liberality and favor as were shown to them then.

By the joint resolution of April, 1816, which has been so often referred to, it was made the duty of the Secretary of the Treasury to take such measures as he should deem necessary to effect a collection of the revenue in gold and silver, Treasury notes or the notes of specie paying banks. In the discharge of this duty, Mr. Dallas very soon opened a correspondence with the State Banks to induce them to return to specie payments. In a circular which he addressed to them on the 22d of July 1816, he used this language :

“From the State Banks, a sincere and effectual exertion, in the common cause of restoring the legal currency, is certainly expected and required; but in return they will merit and *receive the confidence* of the Treasury and of the National Bank; the transfer of the public funds from the State Banks to the National Bank and its branches will be *gradual*, and the *notes of the State Banks will be freely circulated by the Treasury and the National Bank.*”

In a preceding part of the same letter, he says—

“The present opportunity is embraced to repeat the assurances which have been uniformly given and *maintained*, that this Department feels the *fiscal interests of the government*, and the successful operations of the Bank of the U. States, *to be intimately connected with the credit and prosperity of the State Banks.*”

Here, we see the language of the government toward the banks was that of encouragement and confidence. They were assured, in advance, of the friendship, and even of the support of the government, if they would faithfully co-operate in the common cause of restoring the legal currency.

The communications of Mr. Crawford, the able and distinguished successor of Mr. Dallas, were in the same spirit. You, Mr. President, and those who acted with you in those difficult times, will recollect that, although the joint resolution of April, 1816, indicated the 20th of Feb. following, as the day for a general resumption of specie payments, the banks determined, in a convention held by them for the purpose of deliberating on the subject, not to resume till the 1st of July, 1817. In order to induce them to change that determination, Mr. Crawford made a formal proposition to them that if they would resume on the 20th of February, the public money then in their vaults should not be transferred, at all, to the Bank of the United States, (constituted by its charter the general depository of the national funds) and that between that day and the 1st of July, no portion of the public money should be drawn from them for any purpose whatever, unless the necessities of the public service imperiously required it. I beg leave to read to the Senate the following extracts from his circular to the banks of 20th Dec. 1816, submitting that proposition :

“The means of the Treasury to *aid* the operations of the banks in effecting a revolution in the state of the currency, so imperiously necessary to the public interest, are considered ample, and the *strongest disposition exists to apply them*, so as to produce the most beneficial results.”

"In making the above proposition to the State Banks, the strongest reliance is placed in their disposition to join in the effort necessary to relieve the community from the evils to which it has been subjected, by the disordered state of the circulating medium. It is confidently believed that the interests of the banks and of the community are not in opposition to each other, and that any sacrifice, which the effort may cost them, will be *compensated by the advantages and facilities which it is in the power of the Treasury to afford them.*"

"The deep interest which the Treasury has in the support of bank credit, and the connection it has with the Bank of the United States, would, independent of the known disposition of that institution to conciliate the State Banks, be *sufficient to protect them against an illiberal policy on its part.*"

In this communication, it will be perceived, that Mr. Crawford felt and avowed that the means of the Treasury, to aid in the restoration of specie payments were ample. He freely proffered that aid to the State Banks—he not only made them the most liberal propositions for their own advantage, but he gave them a specific pledge of protection and support against any illiberal policy on the part of the Bank of the United States. An appeal thus urged to both the interests and patriotism of the State Banks, could not fail to be effectual. It accomplished its object. The banks changed their original determination, and did resume specie payments on the 20th of Feb., 1817.

Now, Sir, can any one doubt that if the same spirit had actuated the Treasury Department in its relations with the banks recently: if, especially, when a majority of the banks, represented in the Bank Convention, assembled in New York, in November last, manifested a strong desire to fix an early day for the resumption of specie payments, and were prevented from doing so only by the influence of a powerful and overshadowing institution—if, I say, Sir, the Treasury Department had shown, on that occasion, the same dispositions which animated Mr. Crawford in 1816, and had come forward and given assurances of support to that portion of the banks, who were anxious to return to specie payments, against the "illiberal policy" of the Bank of the United States, can there be a doubt that at this moment, we should be in sight of a fixed period for the termination of the present calamitous and disordered state of the currency. But, unfortunately, the policy has been to stand entirely aloof from the banks, after having contributed, it is admitted on all hands, by the measures of the Government, in some one or other of its branches, to the embarrassments by which they were overthrown. No aid, no encouragement has been given—not even a voice of cheering has been uttered amid the general distress. On the contrary, odium and prejudice have been extensively invoked through the press, at least, to render more complete that want of confidence, which is the sole obstacle to the re-establishment of both the credit and ability of the banks. And now, in the sequel, comes this fatal Sub-Treasury bill to deal them the last blow in their prostrate condition. The great interests of the country, connected with the restoration of the credit of the banks, and of the currency which they supply, have been overlooked or unappreciated; and the whole object seems to have been to devise some plan by which the Government could, in future, get along in the *smoothest way*—by which it could be relieved from those responsibilities, and protected from that "*shower of imputations*" in the discharge of its duties which, the honorable Senator from New York, (Mr. Wright,) so pathetically deprecates.

What, then, I would ask, are governments instituted for, if it is not to meet difficulties, in the public cause—to meet and overcome them—to encounter responsibilities—to endure a *shower of imputations*, yea "the pelting of the pitiless storm", if duty to the country demand. And an able man and a patriot need not repine at these trials of his virtue and talents. The ultimate gratitude of his country will ever be in proportion to the temporary injustice he may sustain by the bitterness of enemies or the persecutions of faction. How enviable, at this moment, the fame of Mr. Crawford, than whom no man, in his day, encountered more responsibilities by the bold and fearless manner in which he met the duties



of his station, or sustained more unfounded imputations. But truth has triumphed over prejudice and error, and he now lives and will forever live in the grateful memory of his country. This desire to avoid difficulties and their attendant responsibilities, founded, as I think I have shown it to be, in mistake as to the true interests of public men, is the source of still greater calamities to the country. It is the natural parent, strange as it may seem at first sight, of all schemes of *strong government*; and is not unsuitably avowed by the honorable Senator from New York, as a consideration in favor of a measure, the effect of which, in my humble judgment, would be to render this Republican government of ours one of the *strongest* on the face of the earth. On this subject, sir, I beg leave to read to the Senate the remarks of the profoundest observer, perhaps, of human affairs that ever lived. They are full of instruction, and cannot be too well weighed by public men. In speaking of the National Assembly of France, Burke makes use of these words:

"Their purpose every where seems to have been to evade and slip aside from *difficulty*. This it has been the glory of the great masters, in all the arts, to confront and overcome; and when they had overcome the first difficulty, to turn it into an instrument for new conquests over new difficulties." "This amicable conflict with difficulty obliges us to an intimate acquaintance with our object, and compels us to consider it in all its relations. It will not suffer us to be superficial. It is the want of nerves for such a task; it is the fondness for short cuts and falacious facilities, that has, in so many parts of the world, *created governments with arbitrary powers*." "It is this unwillingness to wrestle with difficulty which has obliged the National Assembly of France to commence their *schemes of reform with abolition and total destruction*."

The disposition to *evade difficulty*, the policy of *short cuts*, we are told by this great master of political wisdom, has in every part of the world, "*created governments with arbitrary powers*;" and was what in France led the National Assembly "to commence their *schemes of reform with abolition and total destruction*." Now, sir, if this had been specially written for our warning, and with express reference to the question before us, it could not have been more apposite or more instructive. Every summary invention, in a free country, suggested by the *ease of government*, however intended, will be found, at last, to carry with it the deepest dangers to the liberties and happiness of the people. The honorable Senator from New York, too, should remember that it was to him who should *untie*, and not to him who should *cut* the Gordian knot, that the ancient oracle promised the glories of empire. The first is the achievement of skill and industry, and its fruits are peace, liberty and happiness. The second is the achievement of power, and its result is the establishment of power. Let the honorable Senator from New York *untie* the knot, by leading the banks to a resumption of specie payments, (as, I am sure, by proper means, he could easily do,) and not *cut* it by the Sub-treasury scheme, and I will be among the first to award him the civic wreath. With Mr. Jefferson, in his memorable letter to Mr. Madison, while the Federal Constitution was under consideration, I say, "I am no friend to strong government. It is always oppressive. *It puts the Governors at their ease, but at the expense of the people*." Here lies the fatal objection to the Sub-treasury scheme. It puts the "Governors at their ease," but is dangerous and "oppressive," to the people.

What system of policy, then, it will be asked, would I pursue? The same great authority, whose words I have already quoted, says, "a good patriot and a true politician will always consider how to make the most of the *existing* materials of his country." This is the foundation principle on which I would build. Experience has shown, in the language used by the present Secretary of the Treasury in 1834, that banks are the most "responsible, safe, convenient and economical" fiscal agents for the government. The State Banks are institutions now *existing*. I would "*make the most*" of them for the public service. There is no national banking institution in existence; and the condition of the country, already

surcharged with banks, the state of public opinion, the known sentiments and pledges of those charged with the public administration, all conspire to render it very unlikely that there will be any such institution at least for years to come. I say farther—in my humble opinion, there ought to be no such institution; first, because there is no constitutional authority to create it, and secondly, because its political dangers, in any form in which it has heretofore existed, have been found to more than counterbalance its supposed advantages in other respects. Then as to the Sub-treasury scheme, it is a novelty utterly unknown to our laws and usages, which could not be brought into existence without violating all the habits of our people, deranging the operations of business, and hazarding the most cherished principles of our political institutions. What, then, ought to be done? Recur to the "*existing* materials of the country," the State Banks,—“make the most” of them for the convenience of the government, as well as for the general good—reform their abuses, correct their defects and adopt every precaution which may be necessary to ensure their fidelity and efficiency.

These institutions, it is true, have recently, in common with every other interest in the country and with the whole commercial world, been subjected to serious embarrassments. All agree, however, though differing as to the particular causes which produced them, that those embarrassments have been the result of very peculiar and extraordinary circumstances. The banks, too, which were employed as the depositories and fiscal agents of the government, have, for the most part, amid circumstances of the greatest difficulty, actually discharged all their engagements to the government, enormously heavy, as they were, in consequence of the large surplus revenue; or the few who have not yet done so, have satisfactorily secured the comparatively small balances due from them, to be paid at short periods, according to an indulgence voluntarily granted to them by Congress. The past, therefore, candidly considered, furnishes no ground against the renewed employment of the State Banks as fiscal agents of the government. Experience may have, and doubtless, has, disclosed defects and errors in the particular plan upon which they have been heretofore employed. Correct, then, those errors—supply those defects—but do not reject their employment altogether. This, sir, is the general principle on which I have bottomed the proposition I have submitted as a substitute for the bill reported by the honorable Senator from New York; and I will now proceed to explain, in detail, those provisions of the substitute which distinguish it from the state bank deposite system as heretofore organized.

It is now generally acknowledged that one of the principal circumstances which contributed to embarrass the operations of the late Deposite system, was the large number of banks employed as depositories,—amounting, in the end, I believe, to near ninety. This increase of number, in part, was rendered necessary by that provision in the act of June, 1836, which required that, where the amount of public depositories in any bank exceeds threefourths of its capital actually paid in, the surplus should be transferred to some other bank. In the execution of the act, however, (from considerations which I am not able to explain) there was a still farther increase in the number of depositories, not called for by the requirements of this provision. It is obvious how the whole play of the machinery must have been weakened and obstructed by this needless complexity of its parts. I am satisfied that twenty banks, judiciously selected and properly located, would be competent to do the whole business of the Treasury Department, with much less danger of embarrassment to the Banks, and a far more easy and effectual supervision on the part of the Secretary. The substitute, therefore, provides that the number of Banks to be employed as public depositories shall, in no case, *exceed twenty-five*, to be chosen from among the most solid and respectable banks in the respective States, and their location, as well as number, to be determined solely with reference to the wants and convenience of the Treasury in conducting its fiscal operations.



The substitute also proposes an important change in the mode of selecting the deposite banks. Heretofore they were chosen by the Secretary of the Treasury, at his will and pleasure alone. This sole agency of the Executive will, in designating the depositories of the public money, exposed the late system to a suspicion of favoritism and a want of confidence in general, which greatly impaired its moral force, and admitted a possibility of abuses, which, it is certainly proper, should be guarded against. It was this which caused it to be characterised as the *pet-bank system*. I propose to divest it of this character by subjecting the selection of the Secretary of the Treasury, in every case, to the supervision and control of Congress. If the selection be made during the session of Congress, it is to be immediately submitted for the approval of the two Houses—if, during the recess, it is to be laid before them at the commencement of the next session, to be in like manner confirmed or annulled by them. The effect of this provision will be to bring *every thing*, relating to the public moneys, under the direct and efficient control of the representatives of the people and the States, and in so delicate and important a matter, to leave as little as possible to Executive discretion.

Another leading provision in the substitute is one which requires the deposite banks to have weekly settlements with the banks, in their vicinity, with which they have business transactions, and to call for balances in specie, *whenever and to whatever extent* it may be necessary to check over-issues and to preserve the soundness of the currency. In the adoption of this practice by the late Bank of the United States, consisted its boasted power and influence as a regulator of the currency. There is no reason why the same salutary control should not be exercised by the deposite banks, and with even greater effect, inasmuch as their aggregate capital and presumed amount of transactions with other banks, would, no doubt, exceed those of the late National Bank. It will be perceived from the terms of this provision in the substitute, that it is not contemplated to enjoin on the deposite banks a *fixed and inexorable requisition* of balances from the other banks in specie, under all circumstances whatever; for considering the large balances that would be habitually accumulated by them against the other banks in the process of collecting the public revenue, such a requisition would be destructive in many cases, to institutions of unquestionable soundness. It is contemplated, therefore, that this power should be exercised under proper safe-guards, and *only to the extent* that may be necessary to restrain imprudences or excesses, endangering the general currency. It was to this extent only, as I have shown in a previous part of these remarks, that the power was exercised by the late Bank of the United States.

The substitute likewise makes it the duty of the Secretary of the Treasury to use his influence to bring about an arrangement, (as no doubt is entertained he could do,) among the several deposite banks to receive and credit as cash the notes of each other in payment of the public revenue, *wherever* so tendered. The effect of this arrangement would be to put the notes of the deposite banks *practically* on the same footing as the branch notes of the late Bank of the United States—every where receivable in payment of public dues, and enjoying, consequently, a general credit and circulation throughout the Union. It would give to the country, to a great extent, the advantages of an *uniform* paper currency, as the preceding provision would secure to it a *sound* one; and the two together, in supplying, *practically*, the benefits promised by a National Bank, would supersede the strongest arguments now urged in favor of such an institution.

In regard to the kinds of money, in which the public revenue is to be collected, the substitute adopts, with slight modifications, the provision of the currency bill of the last session of Congress. It declares that the public dues, of *every description*, for *lands* as well as customs, shall be received in gold and silver, or Treasury notes, or such notes of specie-paying banks, (under certain restrictions intended to promote the suppression of small notes,) as the deposite banks, sub-

ject to the supervision and control of the Secretary of the Treasury, shall agree to credit to the United States as *cash*. It will be perceived that in the proposition now submitted, I have postponed for one year the exclusion of the notes of banks which issue bills or notes under five dollars. It is known that many of the States authorize notes under that denomination; and some, who have heretofore prohibited them, will, it is supposed, authorize the issuing of them under existing circumstances, and for a limited period. It is evident that the use of this description of notes, in supplying the place of, and consequently diminishing the demand for specie in small dealings, would tend materially to facilitate the resumption of specie payments by the banks. This consideration has induced me, under the peculiar circumstances of the times, to adjourn for one year the period for excluding the notes of banks issuing bills or notes under five dollars; and the same consideration has prevailed with me, for the present, to limit the farther exclusion of bank notes to the issues of such banks as shall, after the expiration of two years, continue to issue bills or notes under ten dollars. In doing this, under the exigencies of the times, I wish to be understood as not abandoning my original opinions, (which remain unchanged,) in favor of extending the prohibition of small notes ultimately to all under the denomination of twenty dollars.

Finally, the substitute, in furtherance of the great policy of fixing a period to the present disastrous reign of irredeemable paper, provides that after the 1st day of July next, the notes of no bank which shall not then have bona fide resumed specie payments, shall, at any time thereafter, be received in payment of the public dues. This, in connection with the liberal provisions made by the Substitute, in other respects, for re-establishing the credit of convertible bank paper, will, I am persuaded, bring about a general resumption of specie payments at the time designated. The mere fixation of a day by Congress will exercise a powerful moral influence; and not the less so, as the day fixed corresponds with that indicated by a majority of the banks in the Bank Convention held in New York in November last.

These, Mr. President, are the leading provisions of the measure I have submitted, which distinguish it from the system heretofore adopted for the employment of State Banks as depositories of the public money. In many respects, they make of it a *new* system, obviating some of the strongest objections which have been hitherto urged against it, providing new guards against abuses and containing new provisions for extending its usefulness and efficiency. Under an able and *not unfriendly* direction, I feel every confidence that it would meet both the wants of the government and the wishes of the country.

I shall, doubtless, be asked what arrangement I propose in regard to the banks discounting on the public deposits. There is no *absolute interdiction* of their doing so, in the measure I propose, (for to this, I think, I shall be able to show there are insuperable obstacles,) but it carefully withdraws the *stimulus* to the use of that power which has heretofore been applied, and it moreover furnishes a *positive security*, of an important character, against the excessive use of it. It will be recollected by the Senate that the law of June, 1836, which organized the late deposit system, (besides requiring of the banks very important and onerous services,) required them to pay an interest of two per cent. on all the public deposits in their possession exceeding one-fourth of their capital actually paid in.—Now, this not merely authorized, but *compelled* the banks to discount on the public moneys, whether they willed it or not, in order to enable them to pay the interest charged. It was a *stimulus* administered by the government to the use of the power. This stimulus, this *compulsion* rather, I propose to withdraw by repealing that clause of the law of 1836 which charged the banks interest on the public moneys; for the important services to be rendered by them as fiscal agents of the government, are the fair and proper equivalent of any *legitimate* advantage to be incidentally derived by them from the custody of the public moneys.

In the limitation of the number of deposit banks to twenty-five, as proposed by



the measure I have had the honor to submit, there is an important security against the public deposits being made the basis of bank discounts, to any great extent. It must not be forgotten that the charters of all the State Banks fix a general limit beyond which they are not permitted to extend their discounts. That limit is, I believe, ordinarily twice, or twice and a half, the amount of their capitals paid in. As the public deposits, under the measure I propose, would be confined to twenty-five banks, it is evident that they could not be used, to any great extent, (relatively to their amount,) by those banks to enlarge their discounts, before they would encounter an impassable barrier in the limit of their charters. This, it is well known, occurred in several cases, (particularly in New York,) under the operation of the late system, notwithstanding the greater number of banks then employed as depositories; and in those cases, authority was given to the banks which had thus exhausted their chartered power of discounting on the public deposits, to turn over the surplus, on which they could no longer discount under the limitations of their charters, to other banks, that they might discount upon them. To any arrangement of this sort for multiplying bank discounts on the public deposits, the measure I have submitted would oppose an insuperable obstacle, as it inflexibly fixes, under all circumstances whatever, the number of banks to be employed as depositories of the public moneys; and in fixing that number at twenty-five, the salutary charter limitation upon the power of discounting, would, as I have just shown, soon be brought into action to prevent excess by them.

I think, therefore, Mr. President, that under the provisions of the Substitute I have proposed for the consideration of the Senate, there would be no danger of any unreasonable extension of discounts on the public deposits. I know, however, there are gentlemen of great intelligence and patriotism, who are for an absolute prohibition of the banks discounting, to any extent, however moderate, on the public deposits, and who favor, as the means of carrying out that prohibition, a system of *special* deposits. The high respect I entertain for the opinions of those gentlemen has induced me to consider their suggestion, with more than ordinary anxiety to come to the same conclusions; but after thorough examination and reflection, according to the best lights of my understanding, I am satisfied that no system of *special* deposits, however specious in theory, could be worked out in practice, without involving consequences which they themselves, (or at least, a large majority of them,) would promptly repudiate. In the first place, it is demonstrable, I humbly conceive, that any system of *special* deposits, to be practical and efficient, must lead to a collection of the revenue, *directly or indirectly*, in specie; and this they oppose as earnestly as I do. The Government must always hold itself ready to pay its creditors in the *lawful currency* of the country, *if demanded*. This the banks are bound to do, on behalf of the Government, under the *general* deposit system. But if you adopt the *special* deposit system and collect the revenue, at the same time, in bank notes, the banks would be bound to pay out to the public creditor only the *identical* notes deposited with them; for this is the fundamental and immutable idea of a *special* deposit. How, then, would such a system *work*? The public creditor would present his warrant to a *deposit* bank—the bank would offer him, in payment, first this note and then that, which had been *special*ly deposited with it: but none of these notes suiting the convenience of the creditor, and the bank being bound to pay no other, the public claimant would go unpaid, and the engagements of the Government be dishonored. To avoid the danger of such a result, the Government, if it adopted a system of *special* deposits, would be driven, of necessity, to a collection of the revenue in gold and silver; or, otherwise receiving the notes of specie-paying banks *pro forma*, collect the specie for them from the banks by which they were issued, and place that specie on *special* deposit. But where would be the difference, in the practical effects on the banks and the business and interests of the community connected with them, between collecting the revenue, in the first instance, in gold and silver, and collecting it in the notes of specie-

paying banks, to be converted into gold and silver by demand upon the banks? The honorable Senator from New York (Mr. Wright) expressed the opinion, that the latter mode of operation would be the harshest; and when it is considered that this periodical conversion of bank notes would be in *large masses*, and attended, consequently, with periodical and distressing *contractions of the currency*, I cannot but agree with him. At all events, there are but these two modes of working out a *special* deposit system *in practice*, and neither the one nor the other, it seems to me, can be made acceptable to those who oppose the Sub-treasury scheme, on account of its tendency to create two currencies in the country—gold and silver for the Government—paper for the people.

There are subsidiary objections to this *special* deposit system, which, although not of so much weight as that which I have just stated, cannot be overlooked in a just and comprehensive estimate of it. If you adopt it, you renounce, at once, all means of engaging the interests and enlisting the co-operation of the banks to carry out any of those reforms in the paper currency, which have heretofore been so favorite an object of the policy of the country. You must also pay them, and pay them, too, no inconsiderable sum for their services to the Government, and thus abandon one of the strong grounds (that of *economy*,) on which bank agency has heretofore been preferred to individual agency, in conducting the operations of the Treasury.

But, to take up the subject in a more enlarged view, is there any valid reason why banks should not be permitted to discount, to a moderate extent, on average balances of public money in their possession, as well as on individual deposits? Wherever banks exist, to receive deposits, public or private, is a regular branch of their business; and to discount upon the *average balances of those deposits*, which experience shows are not likely to be drawn out by the depositors, is as legitimate and acknowledged an operation of banking as to discount upon their *capitals*. Is it not for the interest of all that this should be done—that no portion of the national capital should be *annihilated* by being locked up from use, but that the whole should be made tributary, in some way or other, to the invigoration and support of the national industry? No just distinction can be shown, in this respect, between public and private deposits. Accordingly, in all countries where banks exist, and where the public moneys are deposited in those institutions, deposits of that kind have been invariably recognised, within proper limits, as a perfectly legitimate source of discounts and accommodation to the community. It is admitted that it has been uniformly the case in this country, in regard to the public funds both of the general government and of the States, from the adoption of the Constitution down to the present day. What new light, then, has broken in upon us, that we are, all at once, grown so much wiser than our fathers? In England, the practice is, and has been invariably the same; and here I take upon me to confront a statement which I have repeatedly seen made to the contrary—to wit, that the balances of the public moneys in the hands of the Bank of England were not discounted upon, but were regularly and habitually applied to the purchase of Exchequer Bills, on behalf of the government. The fact is otherwise—the Bank of England *has the use* of these balances, for banking purposes; and this use of them is so well understood and avowed that in some instances, where the balances have risen to a very great amount, (as, for a series of years after 1806, they did to between £11,000,000 and £12,000,000, equal to near \$60,000,000 of our money,) the bank has been required to pay a special compensation to the government for that use. But the ordinary balances of public money in the Bank of England range from £4,000,000 to £5,000,000 pounds sterling—about twenty millions of dollars of our money—the *use* of which is permitted to the bank without any compensation. In like manner, the balances of public money in France, which are occasionally transferred to the Bank of France, are permitted to be used as a source of extended discounts, and I am informed by



an enlightened correspondent in that country, were actually so used to the great relief of industry and trade, during the late commercial crisis.

Shall a less beneficent use be made of the public moneys, not called for by the necessities of the Government, in this Republic of ours, than in the monarchies of Europe? Shall we alone, of all the great family of modern civilized communities, revert to the barbarous practice of *hoarding* (and that, too, in *specie*,) the occasional surpluses, which, from the nature of our revenue system, can neither be foreseen nor guarded against? A most able and eloquent friend in the other House, (Mr. Legare) has justly characterised the process of taxation as a species of *confiscation*. It is so, sir. Is it not incumbent upon us, then, when by so harsh a process, we have undesignedly levied upon the people more than is necessary for the wants of the Government, to mitigate the exaction as much as possible by restoring the overplus to their use through the channels of business and commerce. Why should the Government play the *dog in the manger*, neither using its idle hoards itself, nor permitting any body else to use them. Efforts have been made to render the practice of discounting upon the public deposits odious, by representing it as a thing for the benefit of the banks alone. But is it so? Does not every class of the community experience the benefit, and none more so than the great agricultural class, the price of whose products depends mainly on the facilities of sound credit, and the abundance of active capital diffused among the merchants—the more immediate customers of the banks?

It has been sometimes said, also, that the practice of discounting on the public deposits adds to the fluctuations of the currency. But the reverse is demonstrably true. When a large amount of revenue is collected by the Government, and is neither disbursed in the public service, nor returned to the community through the medium of discounts, a sudden and distressing contraction of the currency necessarily ensues. If, however, that portion of the public money, not required for the public service, is permitted to be used in the way of discounts for short periods, by the banks, the circulation, through the double process of Government disbursements and bank issues, is maintained at an uniform level, without sensible contraction or expansion. The banks being enabled to foresee at what periods the funds issued by them will be required for occasions of public expenditure, call them in as they are wanted for disbursement—what is drawn in by the hand of the banks, is immediately let out by the hand of the Government—and thus the current of circulation is kept steady and full.

These truths have, until lately, been universally felt and acknowledged; and by none more emphatically, or with greater weight of authority than the distinguished individual "in whose footsteps" the present administration was expected to tread. It is, doubtless, recollected by the Senate, that, on the occasion of the removal of the deposits from the Bank of the United States, President Jackson, in the able and memorable paper which he presented to his cabinet, stated that the funds thus removed were not to be "*annihilated*"—that they "would be again issued for the benefit of trade" by the institutions to which they were transferred. This was, then, considered a trait of liberal, beneficent, and statesmanlike policy, on which the Chief Magistrate and his act were triumphantly sustained and vindicated by his friends before the people. The same distinguished individual, in his very last message to Congress, declared "it was contrary to the genius of our free institutions to lock up in *vaults* the treasure of the nation." Now the highest ambition of statesmanship seems to be to contrive these self-same "*vaults*," in which the funds of the nation are to be sent to their "long repose," as "dead men's bones;" for once there, all that remain, beyond the wants of the Government, are to be buried, annihilated, destroyed, to every purpose of useful existence. What has produced these sudden and singular revolutions of policy and doctrine? Is it because an extraordinary and accidental state of things, the result of peculiar and anomalous causes, has involved the banks, individuals, and the Government, in temporary embarrassment? Then



I say nothing is more unsafe than for statesmen to found general and permanent rules of policy on isolated and exceptional cases. We must look to the habitual and ordinary course of human affairs, collect from them the average results of experience and observation, and guide our action by those results. Because the Commonwealth's Bank of Massachusetts has failed, because it suits the purpose even of grave Senators to use it daily as a stalking-horse on this floor, are we to be "frighted from our propriety," and, therefore, distrust and denounce the whole banking system of the country? Are we to take advantage of temporary and factitious excitements, to get up and foster a popular prejudice against banks as a fund for political speculation, at the expense of all the "sober realities of life" and the practical, pervading, home-bred, interests of the country.

As I said, on a former occasion, Mr. President, I stand here as no advocate of the banks. I have not the slightest interest in, nor connection with, them, direct or indirect, present or prospective. I am as sensible as any man of the dangers and abuses to which they are liable, and I will go, hand in hand, with any man in devising securities against the one, and applying correctives to the other. But as a practical legislator and a patriot, I am bound to look to the actual interests of society; and in that view, I cannot fail to see that any violent shock given to the established system of business and credit in the country must produce a widespread scene of confusion and distress, involving, in its destructive visitation, every class of the community.

In offering the measure I have submitted to the Senate, I have discharged what I consider to be my duty to the country. That country is now in a state of suffering and distress, aggravated by deep anxieties and apprehensions in regard to the future. The measure I propose would, I firmly believe, give relief for the present and hope for the future. It could not fail to restore confidence, and in doing that, to revive the languishing energies of trade, to quicken the labors and the hopes of the husbandman, the manufacturer and the mechanic, to raise enterprise again upon its feet, and above all, to put an end to that unnatural and suicidal war, which, for the last eighteen months, has grown up between the government of the country, and its business and industry. In presenting such a measure, I cannot but regret that I shall be deprived of the support of many members of this body with whom I have lately stood, side by side, in upholding and defending the principles on which it rests. My consolation, however, is that *I stand now where I stood then*. On the other hand, the measure they bring forward and patronise is one which, three years ago, we all united in opposing, and which was then denounced, in the name of the administration and its friends, as a "dangerous enlargement of Executive power, and putting into its hands the means of corruption." This measure cannot have changed its character by mere efflux of time; and thinking of it now as I thought of it then, *I still oppose it*.

In taking this course, I know full well, Mr. President, I am to incur the anathemas of *party*. But I can never forget that I have a country to serve, as well as a party to obey. "'Tis Rome demands our help;" and for one she shall have mine, according to the humble measure of my abilities and the best lights of my understanding. The zealots of both parties may denounce and condemn me, as they have heretofore denounced and condemned me; but sustained by the consciousness of upright intentions and a faithful devotion to the interests of my country, I shall hold my course unfaltering; and even with the terror before my eyes of sinking into that *small minority* of which the honorable Senator from New York, (Mr. Wright,) so *charitably* warned us, I shall yet, animated by a sense of duty, "find in my soul one drop of patience."



